

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **October 26, 2004, Work Session**

AGENDA ITEM NO.: 6

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Funding of Non-Profit Agencies**

RECOMMENDATION: Determine Council's policy regarding the funding of non-profit agencies in the General Fund Budget.

SUMMARY: For the last several budget cycles City Council has struggled with the issue of funding local or regional non-profit agencies through the General Fund. As preparation starts for the FY 2006 Budget it would be helpful if both staff and the non-profit agencies had a clearer understanding of Council's willingness to consider requests for funding from those agencies.

This issue is not a new one as demonstrated by a Council memo dated March 25, 1980 (attached) making recommendations on the funding of "social service and recreational programs". In 1999, City Council adopted a formal policy regarding the funding of non-profit agencies, however, that policy was rescinded in November of 2002 as it had never been followed. The attached Council report from the November 26, 2002 meeting provides a copy of the policy and additional information.

To assist Council in discussing this issue the following attachments are provided: a page from the Adopted FY 2005 Budget showing the funding for Civic, Community and Regional Organizations, my thoughts on this matter which are taken and modified from a speech given to the Lynchburg Community Action Group last year, and two articles from Popular Government related to this issue. Also included is a copy of the Non-Profit Funding Request Application that was used last year to gather information from those agencies seeking funding from the City.

PRIOR ACTION(S): November 9, 1999, adoption of non-profit funding policy
November 26, 2002, policy rescinded

FISCAL IMPACT: Depends on Council action.

CONTACT(S): Kimball Payne

ATTACHMENT(S): Council memo of March 25, 1980; Council Report of November 26, 2002; Council Report of Excerpt from the *Adopted FY 2005 Budget*, Civic, Community and Regional Organizations; Thoughts on Non-Profit Funding; articles from Popular Government ; Non-Profit Funding Request Application

REVIEWED BY: lkp

March 25, 1980

Exhibit B

The Honorable City Council
Lynchburg, Virginia

Council Members:

At its meeting on February 12, 1980, City Council appointed a special committee to review the process through which requests for funding for social service and recreation programs reach Council. That committee has met, and upon a thorough review of the piecemeal approach used to date, recommends the following:

- 1) Any request for funding for any such program which is made outside the budget formulation process should be referred to the appropriate Council committee for review and recommendation.
- 2) In reviewing any such request, that Committee should impose the following considerations and criteria:
 - a) The subject program should be available to the total community on an equal opportunity basis;
 - b) The subject program should not be duplicative of any existing public or private program;
 - c) The request for funding should be limited to one appropriation, with future funding to come from some source other than the City's contingency fund;
 - d) The request for funding should not exceed ten percent of the operating budget of the subject program, or the required local matching funds, whichever is less;
 - e) Funds for the subject program should not be available from any other source, public or private;
 - f) The entity making the request for funding should have a demonstrable ability to account for all receipts and expenditures, and should agree to provide a year-end statement reflecting such information for the year in which requested funds are received.

It is the hope of the special committee that the use of this process and the application of the proposed criteria will assist Council in making prudent decisions on such requests.

Elliott L. Shearer
Curtis M. Coward
Joan W. MacCallum

FORM B AGENDA ITEM #5

CITY COUNCIL MEETING OF November 26, 2002

// Deputy City Manager Bonnie Svrcek provided an overview of options with regard to the Not-for-Profit Policy, as adopted by City Council on November 9, 1999. City Manager Kimball Payne explained that the policy had never been implemented due to financial constraints, and that staff needed direction regarding the most appropriate approach for considering not-for-profit funding requests for future budget cycles. Representatives from several non-profit agencies asked that City Council continue to fund those agencies that were grandfathered in the budget process prior to the adoption of the policy. City Manager Payne stated that his preference would be to eliminate the policy and not make any changes at this time to the list of agencies currently being considered for funding through the annual budget process. Council Member Foster stated that she would abstain from any vote taken on this matter in that the Alliance for Families & Children receives funding from the City. Council Member Adams made a motion, seconded by Council Member Garber, to rescind the Not-for-Profit Policy and not make any changes to the list of agencies that were grandfathered in the annual budget process prior to the adoption of the policy, and Council by the following recorded vote approved the motion:

Ayes: Adams, Barksdale, Dodson, Garber, Seiffert	5
Noes:	0
Absent: Hutcherson	1
Abstention: Foster	1

LYNCHBURG CITY COUNCIL

Agenda Item Summary

AGENDA ITEM # 5

MEETING DATE: November 26, 2002, Work Session

AGENDA ITEM NO.:

CONSENT:

REGULAR: X

CLOSED SESSION:

ACTION: X

INFORMATION:

(Confidential)

ITEM TITLE: Not-for-Profit Policy

RECOMMENDATION: Review and discuss the Not-for-profit Policy adopted by City Council November 9, 1999. Determine the most appropriate approach for considering not-for-profit funding requests for future budget cycles. Options include, but are not limited to the following:

1. Rescinding the Council policy and considering each request for funding on its own merit during the annual budget cycle; including those agencies that are given an annual appropriation at FY 2000 levels;
2. Amending the Council policy to eliminate the annual allocation to agencies that were funded in FY 2000 from annual appropriation and require these agencies to compete for funds under the current policy;
3. Reaffirming the current policy, committing to the funding guideline as outlined in the policy, and activate the Not-for-Profit Review and Allocation Committee regardless of operating budget shortfalls.

SUMMARY: City Council adopted Guidelines, Processes, and Policies for Not-for-Profit Entities on November 9, 1999. Council appointed a Not-for-Profit Review and Allocation Committee in December 1999. Although this Committee was appointed and re-appointed by City Council, the Committee has never met due to financial constraints.

Council's policy requires that an amount equal to 20% of any amount that exceeded the 10% Undesignated General Fund Balance, not to exceed \$500,000, be allocated to the Not-for-Profit Review and Allocation Committee for distribution.

Following is an accounting of the funds that would have been designated for not-for-profit allocation had the City not been fiscally challenged:

Fiscal Year	Undesignated Fund Balance	10% Fund Balance Target (10% of annual revenues)	Undesignated Fund Balance in Excess of Target	20% Allocation for Not-for-Profits above the 10% Targeted Fund Balance (not to exceed \$500,000)
2000	\$ 10,344,513	\$ 10,828,339	\$ (483,826)	Not Applicable
2001	\$ 16,942,308	\$ 11,295,386	\$ 5,646,922	\$500,000 1/
2002 (unaudited)	\$ 16,973,081	\$ 11,563,430	\$ 5,409,651	\$500,000 2/

1/ 20% of the target to be designated = \$1,129,384

2/ 20% of the target to be designated = \$1,081,930

According to the Guidelines for Contributions to Non-Profit Entities, "those agencies currently receiving allocations will be exempt from the allocation process unless additional funding is requested beyond those levels approved in the 1999-2000 General Fund Operating Budget". Following is a list of the funding history for those agencies since FY 2000:

Agency	FY 2000	FY 2001	FY 2002	FY 2003
Blue Ridge Emergency Medical Service	\$ 3,466	\$ 3,466	\$ 3,466	\$ 3,466
Central Virginia Area Agency on Aging	5,200	5,200	5,200	5,200
Court Appointed Special Advocate	10,557	10,557	10,557	10,557
Keep Lynchburg Beautiful Commission	500	500	500	500
Keep Virginia Beautiful Commission	100	100	100	-
Legal Aid Society	9,960	9,960	9,960	9,960
Lynchburg Humane Society 1/	55,693	55,693	90,400	92,800
Lynchburg Lifesaving Crew 2/	6,000	6,000	12,659	9,419
Lynchburg Neighborhood Development Foundation *	25,000	25,000	25,000	25,000
Partnership for Prevention of Substance Abuse/Alliance for Families and Children	19,200	19,200	19,200	19,200
Child Care Resource Center/Alliance for Families and Children	25,000	25,000	25,000	25,000
PTA-PTO Thrift Shop 3/	17,000	-	-	-
America's Promise 3/	5,000	-	-	-
Total	\$ 182,676	\$ 160,676	\$ 202,042	\$ 201,102

1/ Increase due to contractual commitment

2/ Beginning in FY 2002 Fleet Service charges were included in the Adopted Budget.

3/ One-time contribution

PRIOR ACTION(S): August 10, 1999 Council Work Session
September 28, 1999 City Council Meeting
October 26, 1999 City Council Work Session
November 9, 1999 City Council Meeting

BUDGET IMPACT:. To be determined.

CONTACT(S): Bonnie Svrcek, Deputy City Manager 847.1443 ext. 224

ATTACHMENT(S): August 6, 1999 Contributions to Non-Profit Organizations Report
September 28, 1999 City Council Report: Establishing Guidelines, Processes and Policies for Review and Allocation of Municipal Funds
October 18, 1999 Contributions to Non-Profit Organizations Report
November 9, 1999 City Council Report: Establishing Guidelines, Processes and Policies for Review and Allocation of Municipal Funds, as amended

REVIEWED BY: lkp

August 6, 1999

City Council
Lynchburg, Virginia

Re: Contributions to Non-Profit Organizations

The City, in addition to operational funding requests from outside agencies during the annual budget formulation process, receives similar requests throughout the year from other entities as new programs evolve. In addition, the City has recently received \$3,150,000 in capital funding requests:

Requesting Agency	Total Amount of Capital Campaign	Amount Requested from the City	City Contribution Percentage
Academy of Music	\$12,699,000	\$2,000,000	15.75%
Amazement Square	\$5,000,000	\$250,000	5.0%
Jubilee Heights	\$400,000	\$400,000	100%
YMCA	\$7,800,000	\$500,000	6.41%

With the amount of activity from outside agencies, City Council requested the City Administration to review the matter of contributions to non-profit organizations.

Attached for your review is a report regarding this subject. During the data gathering phase and in particular from other governmental entities, one theme was consistently conveyed: the funds that are being requested are taxpayer dollars and care must be exercised in the expenditure of these funds to ensure they have a general benefit for all citizens. The research further disclosed that allocation of capital funds was for the most part non-existent, as there were many other competing needs. Further, allocating operating funds to non-profit organizations are done by most all communities surveyed. Most localities had in place an annual application process with each application evaluated by a group. While the application process provided a method to satisfy certain criteria, there was no real formula to determine the level of contribution but rather each request was evaluated on its needs and availability of funding.

In summary, the report provides for a process to consider funding requests along with certain requirements, which if satisfied, would then proceed for consideration by City Council. I trust this information proves helpful in preparation for this subject at the August 10 work session.

Respectfully submitted,



Michael W. Hill
Director of Financial Planning

City of Lynchburg
Proposal for an Approach for
Contributions to Non-Profit Entities

I. Background

Recently the City has received several requests from Non-Profit entities for contributions. Because of the requests, City Council expressed a need to develop an approach/policy for operating and capital contributions to non-profit organizations.

II. Current Practices

Prior to recommending a specific approach for contributions to non-profit entities for Lynchburg, it will be helpful to review practices of other localities and some private foundations.

Regarding practices of other local governments, a research effort was undertaken that focused on inquiries with the International City/County Management Association (ICMA), Institute of Government (IOG), and contacting numerous Virginia localities. The information received from ICMA seemed more focused on allocating grant monies as opposed to contributions to non-profit entities. The IOG requested its information via the internet, and while yielding some responses, has been very limited and insufficient to include in the survey results. Accordingly, the most reliable information that could assist in developing guidelines/policies concerning this subject was obtained by contacting several Virginia localities. This information is summarized in Exhibit A.

From the information gathered to date, it seems that most localities make operating contributions to non-profit organizations. Further, most respondents have a process for considering non-profit requests for funding but do not have a written policy or criteria. However, it is noteworthy that most of the contributions are in the form of operating monies rather than capital. Most localities do not support capital expenditures because of other competing demands for capital dollars. During the research effort, it was discovered that City Council had addressed a similar subject in 1980. This information is contained in Exhibit B.

Two foundations were contacted to determine their process for distributing grant funds; Centra Health Foundation and the Pew Charitable Trusts. Exhibit C provides a general summary of the data from these two foundations regarding processes for considering funding requests.

In summary, research indicated the following:

- Formal application process
- Program/project requests fall within the stated goals, objectives or vision of the granting entity (for example: City Council Goals)
- Description of the constituency to be served by the requesting organization (i.e. ethnic, economic, cultural and geographical diversity)
- Designation as tax exempt under section 501©(3) of the Internal Revenue Code
- Grants are not made to individuals
- Measurable objectives to assist in evaluating performance
- Accountability
- Organization finances
- Multi-year plans (helps to ensure requesting agency has a continuation plan beyond initial funding)
- Board or committee review that makes a recommendation to City Council for funding
- Amount of funding approved based on individual project

III. Process for Considering/Determining Contributions to Non-profit Entities

A. General

The process has been developed to provide a framework that consideration of contribution requests occur during the formulation process for the annual operating budget and capital improvements program. The process provides for an application, review, and recommendation phase before consideration by the full City Council.

B. Operating Monies:

1. Agencies, except those that are currently receiving General Fund budgetary allocations, requesting annual funding from the City shall submit applications provided by the City each year by October 1 that must include the following:
 - a. Requests shall be on the agency letterhead
 - b. Statement of the activities that the Agency will be conducting and the benefits to the City.
 - c. Statement or statements of how the activities meet City Council's vision/goals Identify if activities will eliminate the need for the City to provide the services
 - d. Identify any other agencies providing similar services outlining any efforts to partner with those agencies to avoid duplication.
 - e. Copies of IRS approval of tax exempt status
 - f. Copies of prior year tax return
 - g. Proposed use of funds
 - h. Sources of all agency funding which shall include contributions from other localities
 - i. Number of City residents estimated to be served (i.e. ethnic, economic, cultural and geographical diversity)
 - j. Outline a (3 or 5 yr.) business plan which entails future statements of revenues and expenditures with goals and objectives and performance measurements
 - k. Agree to enter into a contract in such form and manner as determined by the City with said agreement providing for an annual audit if the City contribution is in excess of \$5,000.

C. Capital Monies:

1. Agencies requesting capital funding from the City shall submit an application provided by the City by October 1 which shall include the following:
 - a. Requests shall be on the agency letterhead
 - b. Statement outlining the proposed project that the Agency will be constructing and the benefits to the City.
 - c. Statement or statements of how the proposed project will meet City Council's vision /goals
 - d. Describe how the proposed project will conform to the City's Comprehensive Plan
 - e. Identify if the proposed project will eliminate the need for the City to construct a similar project
 - f. Identify any other agencies providing similar services outlining any efforts to partner with those agencies to avoid potential duplication and increased capital funding
 - g. Copies of IRS approval of tax exempt status
 - h. Copies of prior year tax return
 - i. Proposed use of funds
 - j. Sources of all agency funding which shall include contributions from other Region 2000 localities and Community Development Block Grant Funding

- k. Number of City residents estimated to be served (i.e. ethnic, economic, cultural and geographic diversity)
- l. Describe how the facility can be utilized by municipal programs
- m. Outline a (3 or 5 yr.) business plan which entails future statements of revenues and expenditures with goals and objectives and performance measurements
- n. Agree to enter into a contract in such form and manner as determined by the City with said agreement providing for an audit if the City contribution is in excess of \$5,000.

D. Legal Review

All applications will be reviewed by the City Attorney to determine the legality of the contribution within the City or State Code.

E. Review and Allocation

Following receipt of a positive legal opinion, the Review and Allocation Committee will recommend approval and the level of funding to the full City Council. Exhibit D provides a summary of the schedule that is contemplated for this activity should this proposal receive City Council approval.

F. Non-Profit Review and Allocation Committee Composition

- 1. Two members of City Council
- 2. Representative from each Ward
- 3. Three representatives from the Strategic Leadership Team, one of which will be from the City Manager's Office

IV. Method of Funding

Should City Council decide to proceed with a broader funded effort for non-profit organizations, the following policy is suggested as an option:

A. Annual Funding

Following receipt of the annual audit report (usually November), 20% of the Undesignated General Fund Balance, not to exceed \$500,000, in excess of the 10% Target Balance contained in the Financial Policies for the General Fund Balance will be allocated for non-profit funding requests for either operating or capital monies.

Under this funding approach there would have been \$222,890 available that could have been allocated to non-profit funding requests in FY 1999-2000.

B. Unallocated Annual Funding

Should any available funding remain unallocated such amount will be carried forward to the ensuing allocation period. The cumulative amount carried forward shall not exceed \$500,000.

C. Capital Funding Requests

Any monies allocated for capital funding requests will not be disbursed until the non-profit recipient organization provides evidence that 80% of the total capital funding campaign has been achieved. No more than 10% of the City's contribution can be allocated for Architectural and Engineering services. Funding sources for capital funding requests will be exclusive of General Obligation Bond proceeds.

D. Existing Agencies

Those agencies (Exhibit D) currently receiving allocations will be exempt from the allocation process unless additional funding is requested beyond those levels approved in the 1999-2000 General Fund Operating Budget.

V. Summary

Should City Council accept this proposal an annual process for allocating monies to non-profit organizations will be established. Further, efforts will begin to develop a public information initiative as well as the application process for the October 1, 1999 submission date.

City of Lynchburg
Contributions to Not-for Profit Entities
Survey of Virginia Localities

Exhibit A

<i>Locality</i>	Does your jurisdiction make contributions to non-profit entities?	If so, are your contributions operating and/or capital	Does your jurisdiction have a formal policy/criteria for contributions to non-profit entities?	What is your process for operating contributions?	What is your process for capital contributions?
Roanoke	Yes	Operating & Some Capital	No	Have two committees-Human Services and Cultural Services Requests are made to these committees and they allocate the operating funds allocation and recommend to the budget committee then on to the full council	Really don't have a process for capital. Only real capital contribution that was offered was to Centre in the Square. General response was that capital contributions are for the most part non-existent
Charlottesville					
Danville	Yes	Operating	No	Allocations are made during the budget process but are very limited. Contributions are primarily made to some agencies in lieu of the City underwriting the cost (i.e. rescue squad)	Only real capital contribution of note was for the renovation of a railway station but that for the most part was a quasi City activity
Hampton	Yes	Operating mainly, limited capital	No	Written requests are received with certain required documentation in the fall as part of the Budget process. Request must demonstrate City benefits. Because of limited funding, additions to the budget have been virtually non-existent General philosophy is to contribute to agencies who can perform services that the City would perform but cheaper.	Proposal by proposal but very limited. This past year did make a \$200,000 to the YMCA for part of the pool construction and are giving the YMCA \$60,000 per yr, for operating
Newport News	Yes	Operating and Capital(but limited)	No	During the annual budget process requests are evaluated and funds allocated based upon available funding. Growth in both dollars and new activities has been limited	Capital requests have been virtually non-existent due to competing with other capital needs. This year two Cultural Arts type projects were added that the City committed \$6,000,000 to each over a three-year period. This was not without controversy as the City used a portion of its bond capacity for these two projects.

City of Lynchburg
Annual Allocation Schedule
Non-Profit Organizations

Exhibit D

October 1	Receive applications for operating and capital funding requests
November 30	Receive annual audit report and determine available funding
January	Non-Profit Review and Allocation Committee reviews proposals and develops funding recommendations
February	Recommendations submitted to the full City Council for consideration Where applicable appropriating resolutions are presented for consideration
March	Approved allocations available to non-profit organizations

GENERAL FUND
SUPPORT NON PROFIT ORGANIZATIONS

Exhibit E

	Actual 97/98	Actual* 98/99	Budget 99/00
Blue Ridge Emergency Medical Service	\$ 2,640	\$ 3,404	\$ 3,466
Central Virginia Area Agency on Aging	5,043	5,200	5,200
Court Appointed Special Advocate	10,557	10,557	10,557
Keep Lynchburg Beautiful Commission	511	500	500
Keep Virginia Beautiful Commission	100	100	100
Legal Aid Society	-	9,960	9,960
Lynchburg Chamber of Commerce	7,500	7,500	7,500
Lynchburg Humane Society	54,607	55,693	55,693
Lynchburg Lifesaving/Rescue Operation	5,089	6,321	6,000
Partnership for Prevention of Substance Abuse	20,000	19,200	19,200
Child Care Resource Center	15,000	25,000	25,000
New Land Jobs-Strive Program	-	35,000	-
PTA-PTO Thrift Shop**	-	-	17,000
America's Promise**	-	-	5,000
TOTAL	\$ 121,047	\$ 178,435	\$ 165,176

LYNCHBURG CITY COUNCIL REPORT

Meeting Date: September 28, 1999
Strategic Leadership Team Contact: Bonnie Svrcek

Council Report # 14
Report Writer: Michael W. Hill

Subject: Establishing Guidelines, Processes and Policies for review and allocation of municipal funds to not-for-profit entities.

Purpose of Action:

- To establish guidelines, processes and policies for review and allocation of municipal monies to not-for-profit entities

Requested Action: Consideration of adopting a resolution establishing processes and policies to appropriate monies to not-for-profit entities

Funding: N/A

Prior Action:

- August 10, 1999 Work Session---City Council reviewed the report from the City Administration outlining a proposal for an approach for contributions to Not-for-Profit Entities
-

Attachments: City Council Report on proposal for an approach for contributions to Not-for-Profit Entities (included in exhibit)

Resolution:

WHEREAS, the City Council of Lynchburg receives funding requests from various not-for-profit agencies, which perform services benefiting citizens and the community;

WHEREAS, the City Council desires to create a review and allocation process for appropriating monies to not-for-profit entities; and

NOW, THEREFORE BE IT RESOLVED THAT the proposal dated August 6, 1999, as amended, is hereby adopted as the guidelines, policies and method of funding to not-for-profit entities.

Adopted:

Certified: _____
Clerk of Council

092L

Other Information:

At City Council's August 10, 1999 Work Session, the proposal for an approach for considering contributions to Not-for-Profit Entities was presented for consideration. Generally, this proposal provided for an annual application, review and recommendation process before consideration by the

full City Council of funding requests, either operating or capital. Under the proposal, there would be created a Not-for-Profit Review and Allocation Committee (Committee). City Council amended the composition of the Committee to be comprised of two Council members, a representative from each Ward and three representatives from the Strategic Leadership Team, one of which would be from the City Manager's Office. The proposal also outlined an approach for establishing an amount that could possibly be available for allocation to Not-for-Profit Entities. Under the suggested approach, an amount equal to 20% of any amount that exceeded the 10% Targeted Undesignated General Fund Balance, but not to exceed \$500,000, would be available for funding requests.

Since the Council Work Session, the City Administration suggests that the initial proposal be amended to include the following:

- General Obligation Public Improvement Bonds shall not be used for contributions to not-for-profit entities capital, operating or capital construction requests.
- The Not-for-Profit Review and Allocation Committee will review capital requests on a case-by-case basis.

October 18, 1999

Lynchburg City Council
Lynchburg, Virginia

Re: Contributions to Non-Profit Organizations

To the Honorable City Council:

On September 26 City Council requested additional clarification regarding the use of local funds as well as general obligation bond monies to support operating and/or capital construction efforts of not-for-profit organizations. Staff reported noted that allocating capital funds to not-for-profit entities was for the most part non-existent. However, in the report prepared by Brian Wishneff & Associates for the Academy of Music Restoration, a number of projects were identified that received some local government capital funding participation. Exhibit A provides summary information on those projects noted by Brian Wishneff & Associates as receiving local bond monies. Generally contributions to not-for-profit entities are funded from General Fund revenues. In those instances where bond monies were utilized, the projects are either City-owned, leased by the city for a long-term, or owned by a development authority. It is not considered prudent fiscal policy to contribute funds derived from the sale of general obligation bonds to not-for-profits in which the City has no ownership interest.

After review of this information, the City Administration suggests that City Council amend the August 6, 1999 proposal to include the following:

- General Obligation Public Improvement Bonds shall not be used for contributions to not-for-profit entities.
- The Not-for-Profit Review and Allocation Committee will review requests for capital funds on a case-by-case basis.
- The Annual Allocation Schedule for the initial year be amended as follows:
 - December City Council appoints Not-for-Profit Review and Allocation Committee
 - City mails applications for funding requests to outside agencies
 - January 1 Receive applications for operating and funding requests
 - February Not-for-Profit Review and Allocation Committee reviews proposals and develops funding recommendations
 - March Recommendations submitted to full City Council for consideration
 - April Approved allocations available to not-for-profit organizations

I hope this information provides the additional information requested by City Council.

Respectfully submitted



Michael W. Hill
Director of Financial Planning

Attachments: September 28, 1999 Council Report
August 6, 1999 City Council Work Session Report

Facility	Locality	Ownership	Local Bond Issue	Comments
Virginia Air & Space Center	Hampton	City	Yes	Project was a major <u>City-owned</u> capital project financed largely from a bond issue. Considered to be a major tourist attraction -Foundation operates facility, responsible for operating budget and retains all admission fees City responsible for debt service payments Any capital building maintenance is <u>responsibility</u> of the City
Chrysler Hall	Norfolk	City	Yes	Project was part of major rehabilitation project that included construction of the Exhibit Hall & The Scope -Local bond monies used for <u>infrastructure</u> (streets, sidewalks, water and sewer)
Wells Theatre	Norfolk	Private -- City has a 100yr lease	Uncertain (see comments)	-Owned by a North Carolina family -Oldest Vaudeville Theatre in Virginia -Virginia Stage Co. originally leased facility with goal to renovate -City advanced funds to Va. Stage Co. for renovation in anticipation of contributions -Contributions failed to materialize -City took the project over and leases the building for \$12,000 per year -Source of local funding is uncertain -Local representatives indicate that typically local funds are from the General Fund vs. bond monies
Jefferson Center Auditorium	Roanoke	City	Yes By Referendum	-Project part of the major renovation to Jefferson High School -Initial Phase- \$3.5m local bonds by referendum -Initial Phase provided additional office space for some municipal services (Fire Administration, Grants Compliance, Police Academy, Training rooms) with some other tenants as well -City pays market rent -Second Phase \$2.0m local bonds by referendum to renovate 900-seat auditorium. Project \$.8m over budget -City agreed to match 60/40 on overrun -Foundation must present proof of share before payment to contractor -Viewed as an anchor for major rehabilitation of blighted area of the City
GTE Virginia Beach Amphitheater	Va. Beach	Va. Beach Development Authority	No	-Commercial facility, <u>exclusive</u> private use -Local contribution- Land and \$10.75m local cash -Developer \$7.0m and assumed all construction risks -Cellar Door bought by SSX Entertainment operates facility -City receives \$120,000 per year ground rent and 10% of net revenues, has amounted to \$1.0m+ from revenues generated by the facility

LYNCHBURG CITY COUNCIL REPORT

Meeting Date: November 9, 1999

Council Report #

Strategic Leadership Team Contact: Bonnie Svrcek

Report Writer: Michael W. Hill

Subject: Establishing Guidelines, Processes and Policies for review and allocation of municipal funds to not-for-profit entities.

Purpose of Action:

- To establish guidelines, processes and policies for review and allocation of municipal monies to not-for-profit entities

Requested Action: Consideration of adopting a resolution establishing processes and policies to appropriate monies to not-for-profit entities

Funding: N/A

Prior Action:

- August 10, 1999 Work Session, City Council reviewed the report from the City Administration outlining a proposal for an approach for contributions to Not-for-Profit Entities
 - October 26, 1999 Work Session, City Council reviewed additional information from the City Administration clarifying use of local funds as well as general obligation bond monies to support operating and/or capital contributions to not-for-profit organizations
-

Attachments: City Council Report on proposal for an approach for contributions to Not-for-Profit Entities
October 26, 1999 City Council Work Session Report

Resolution:

WHEREAS, the City Council of Lynchburg receives funding requests from various not-for-profit agencies, which perform services benefiting citizens and the community; and

WHEREAS, the City Council desires to create a review and allocation process for appropriating monies to not-for-profit entities; and

NOW, THEREFORE BE IT RESOLVED THAT the proposal dated August 6, 1999, as amended, is hereby adopted as the guidelines, policies and method of funding for not-for profit entities.

Adopted:

Certified:

Clerk of Council

103L

Other Information:

At City Council's August 10, 1999 Work Session, the proposal for an approach for considering contributions to Not-for-Profit Entities was presented for consideration. Generally, this proposal provided for an annual application, review, and recommendation process before consideration by the full City Council, of funding requests either operating or capital. Under the proposal, there would be created a Not-for-Profit Review and Allocation Committee (Committee). City Council amended the composition of the Committee to be comprised of two Council members, a representative from each Ward and three representatives from the Strategic Leadership Team, one of which would be from the City Manager's Office. The proposal also outlined an approach for establishing an amount that could possibly be available for allocation to Not-for-Profit Entities. Under the suggested approach, an amount equal to 20% of any amount that exceeded the 10% Targeted Undesignated General Fund Balance, not to exceed \$500,000, would be available for funding requests.

Since the Council Work Session, the City Administration suggests that the initial proposal be amended to include the following:

- General Obligation Public Improvement Bonds shall not be used for contributions to not-for-profit entities' capital, operating or capital construction requests
- The Not-for-Profit Review and Allocation Committee will review capital requests on a case-by-case basis
- The Annual Allocation Schedule for the initial year be amended as follows:
 - December City Council appoints Not-for-Profit Review and Allocation Committee
 - City mails applications for funding requests to outside agencies
 - January 1 Receive applications for operating and funding requests
 - February Not-for-Profit Review and Allocation Committee reviews proposals and develops funding recommendations
 - March Recommendations submitted to full City Council for consideration
 - April Approved allocations available to not-for-profit organizations

November 9, 1999

City of Lynchburg
Proposal for an Approach for
Contributions to Non-Profit Entities

I. Background

Recently the City has received several requests from Non-Profit entities for contributions. Because of the requests, City Council expressed a need to develop an approach/policy for operating and capital contributions to non-profit organizations.

II. Current Practices

Prior to recommending a specific approach for contributions to non-profit entities for Lynchburg, it will be helpful to review practices of other localities and some private foundations.

Regarding practices of other local governments, a research effort was undertaken that focused on inquiries with the International City/County Management Association (ICMA), Institute of Government (IOG), and contacting numerous Virginia localities. The information received from ICMA seemed more focused on allocating grant monies as opposed to contributions to non-profit entities. The IOG requested its information via the internet, and while yielding some responses, has been very limited and insufficient to include in the survey results. Accordingly, the most reliable information that could assist in developing guidelines/policies concerning this subject was obtained by contacting several Virginia localities. This information is summarized in Exhibit A.

From the information gathered to date, it seems that most localities make operating contributions to non-profit organizations. Further, most respondents have a process for considering non-profit requests for funding but do not have a written policy or criteria. However, it is noteworthy that most of the contributions are in the form of operating monies rather than capital. Most localities do not support capital expenditures because of other competing demands for capital dollars. During the research effort, it was discovered that City Council had addressed a similar subject in 1980. This information is contained in Exhibit B.

Two foundations were contacted to determine their process for distributing grant funds; Centra Health Foundation and the Pew Charitable Trusts. Exhibit C provides a general summary of the data from these two foundations regarding processes for considering funding requests.

In summary, research indicated the following:

- Formal application process
- Program/project requests fall within the stated goals, objectives or vision of the granting entity (for example: City Council Goals)
- Description of the constituency to be served by the requesting organization (i.e. ethnic, economic, cultural and geographical diversity)
- Designation as tax exempt under section 501©(3) of the Internal Revenue Code
- Grants are not made to individuals
- Measurable objectives to assist in evaluating performance
- Accountability
- Organization finances
- Multi-year plans (helps to ensure requesting agency has a continuation plan beyond initial funding)
- Board or committee review that makes a recommendation to City Council for funding
- Amount of funding approved based on individual project

III. Process for Considering/Determining Contributions to Non-profit Entities

A. General

The process has been developed to provide a framework that consideration of contribution requests occur during the formulation process for the annual operating budget and capital improvements program. The process provides for an application, review, and recommendation phase before consideration by the full City Council.

B. Operating Monies:

1. Agencies, except those that are currently receiving General Fund budgetary allocations, requesting annual funding from the City shall submit applications provided by the City each year by October 1 that must include the following:
 - a. Requests shall be on the agency letterhead
 - b. Statement of the activities that the Agency will be conducting and the benefits to the City.
 - c. Statement or statements of how the activities meet City Council's vision/goals Identify if activities will eliminate the need for the City to provide the services
 - d. Identify any other agencies providing similar services outlining any efforts to partner with those agencies to avoid duplication.
 - e. Copies of IRS approval of tax exempt status
 - f. Copies of prior year tax return
 - g. Proposed use of funds
 - h. Sources of all agency funding which shall include contributions from other localities
 - i. Number of City residents estimated to be served (i.e. ethnic, economic, cultural and geographical diversity)
 - j. Outline a (3 or 5 yr.) business plan which entails future statements of revenues and expenditures with goals and objectives and performance measurements
 - k. Agree to enter into a contract in such form and manner as determined by the City with said agreement providing for an annual audit if the City contribution is in excess of \$5,000.

C. Capital Monies:

1. Agencies requesting capital funding from the City shall submit an application provided by the City by October 1 which shall include the following:
 - a. Requests shall be on the agency letterhead
 - b. Statement outlining the proposed project that the Agency will be constructing and the benefits to the City.
 - c. Statement or statements of how the proposed project will meet City Council's vision /goals
 - d. Describe how the proposed project will conform to the City's Comprehensive Plan
 - e. Identify if the proposed project will eliminate the need for the City to construct a similar project
 - f. Identify any other agencies providing similar services outlining any efforts to partner with those agencies to avoid potential duplication and increased capital funding
 - g. Copies of IRS approval of tax exempt status
 - h. Copies of prior year tax return
 - i. Proposed use of funds
 - j. Sources of all agency funding which shall include contributions from other Region 2000 localities and Community Development Block Grant Funding

- k. Number of City residents estimated to be served (i.e. ethnic, economic, cultural and geographic diversity)
- l. Describe how the facility can be utilized by municipal programs
- m. Outline a (3 or 5 yr.) business plan which entails future statements of revenues and expenditures with goals and objectives and performance measurements
- n. Agree to enter into a contract in such form and manner as determined by the City with said agreement providing for an audit if the City contribution is in excess of \$5,000.

D. Legal Review

All applications will be reviewed by the City Attorney to determine the legality of the contribution within the City or State Code.

E. Review and Allocation

Following receipt of a positive legal opinion, the Review and Allocation Committee will recommend approval and the level of funding to the full City Council. Exhibit D provides a summary of the schedule that is contemplated for this activity should this proposal receive City Council approval.

F. Non-Profit Review and Allocation Committee Composition

- 1. Two members of City Council/appointed by the Mayor
- 2. One representative from each Ward/appointed by the Mayor
- 3. Three representatives from the Strategic Leadership Team, one of which will be from the City Manager's Office/appointed by the City Manager
- 4. Mayor to select Chair from two City Council representatives
- 5. All appointments subject to City Council approval
- 6. Each term will be for one year

IV. Method of Funding

Should City Council decide to proceed with a broader funded effort for non-profit organizations, the following policy is suggested as an option:

A. Annual Funding

Following receipt of the annual audit report (usually November), 20% of the Undesignated General Fund Balance, not to exceed \$500,000, in excess of the 10% Target Balance contained in the Financial Policies for the General Fund Balance will be allocated for non-profit funding requests for either operating or capital monies.

Under this funding approach there would have been \$222,890 available that could have been allocated to non-profit funding requests in FY 1999-2000.

B. Unallocated Annual Funding

Should any available funding remain unallocated such amount will be carried forward to the ensuing allocation period. The cumulative amount carried forward shall not exceed \$500,000.

C. Capital Funding Requests

Any monies allocated for capital funding requests will not be disbursed until the non-profit recipient organization provides evidence that 80% of the total capital funding campaign has been achieved. No more than 10% of the City's contribution can be allocated for